



UNIFIED  
BUSINESS  
IDENTIFIER

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# **OPERATING A BUSINESS IN WASHINGTON STATE:**

## **A Business Resource Guide**

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Provided through the cooperation of:

Department of Licensing • Business Assistance Center  
Employment Security Department • Department of Labor & Industries  
Department of Revenue • Office of the Secretary of State

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OR

You may download this publication online. <http://www.dol.wa.gov/mls/operate.htm>

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# TABLE OF CONTENTS

|   |    |  |    |
|---|----|--|----|
| GETTING STARTED.....                          | 1  | Employment Standards .....               | 12 |
| Business Structures .....                     | 1  | Minimum Wage.....                        | 12 |
| Deciding on Your Business Structure .....     | 1  | Prevailing Wages.....                    | 12 |
| Forming a Corporation, Limited Liability      |    | Overtime .....                           | 13 |
| Company, or Limited Liability Partnership 1   |    | General Working Conditions .....         | 13 |
| Licensing Your Business.....                  | 2  | Required Posters .....                   | 14 |
| Unified Business Identifier Program.....      | 2  |  |    |
| One-Stop Registration.....                    | 2  | GETTING ADVICE .....                     | 15 |
| Master License Service .....                  | 3  | State Resources and Institutions .....   | 15 |
| Trade Name Search .....                       | 3  | Department of Community, Trade and       |    |
| Personalized Licensing Packet.....            | 3  | Economic Development.....                | 15 |
| Master License Endorsements .....             | 4  | Office of Minority and Women's Business  |    |
|   |    | Enterprises.....                         | 15 |
| PAYING TAXES.....                             | 5  | Department of Ecology .....              | 15 |
| State Taxes .....                             | 5  | Washington Technology Center .....       | 15 |
| Tax Registration and Reporting .....          | 5  | State Board for Community and Technical  |    |
| Filing Tax Returns and Payments .....         | 5  | Colleges.....                            | 16 |
| Common State Excise Taxes.....                | 5  | Small Business Development Center.....   | 16 |
| Electronic Filing (e-file).....               | 5  |  |    |
| Geographic Information Systems For Sales      |    | Federal Resources and Institutions ..... | 16 |
| Tax.....                                      | 5  | U.S. Small Business Administration       |    |
| Other State Excise Tax .....                  | 5  | (SBA) .....                              | 16 |
| Federal Taxes .....                           | 7  | Service Core of Retired Executives       |    |
| Federal Employer Identification Number ...    | 7  | (SCORE).....                             | 16 |
| Social Security Taxes .....                   | 7  | Northwest Trade Adjustment Assistance    |    |
| City and County Taxes.....                    | 7  | Center (TAAC).....                       | 16 |
| Federal Tax Checklist                         |    | Seminars and Workshops .....             | 16 |
| (as of March 31, 2005).....                   | 8  | U.S. Internal Revenue Service .....      | 16 |
|   |    |  |    |
| HIRING EMPLOYEES .....                        | 9  | GETTING FINANCIAL HELP .....             | 17 |
| Who is an employee? .....                     | 9  | State Resources .....                    | 17 |
| Employer Registrations.....                   | 9  | Business Finance Unit (BFU) .....        | 17 |
| State Unemployment Insurance .....            | 9  | Federal Resources .....                  | 17 |
| Industrial Insurance (Workers'                |    | U.S. Department of Agriculture .....     | 17 |
| Compensation) .....                           | 10 | U.S. Department of the Interior .....    | 17 |
| Federal Employer Identification Number .....  | 11 |  |    |
| Payroll and Other Employer Taxes .....        | 11 | RESOURCE DIRECTORY .....                 | 18 |
| Federal Payroll Taxes.....                    | 11 | State Offices .....                      | 18 |
| Employee Records .....                        | 12 | Federal Offices .....                    | 19 |
| Employee Withholding Allowance                |    |  |    |
| Certificate (W-4) .....                       | 12 | CHECKLIST FOR STARTING A BUSINESS 20     |    |
| Employment Eligibility Verification (I-9). 12 |    |  |    |
| Employee Earnings and Work Hours.....         | 12 |  |    |
| New Hire/Re-hire Reporting.....               | 12 |  |    |

## GETTING STARTED

Starting a new business is an exciting and challenging undertaking. Fulfilling your obligations to the government can play a big part in the success or failure of your business, so we've created this booklet to help you understand those obligations. We hope the information presented here will assist you in starting and maintaining a successful business.

This booklet begins by explaining some of the general considerations necessary when you begin your business. We then cover the various taxes that may result from your business, and your obligations as an employer. Finally, we describe sources of assistance for your business, both operational and financial.

Since this booklet briefly covers subjects which require booklets of their own, we've tried to refer you to other sources of information whenever possible.

### **Business Structures**

#### **Deciding on Your Business Structure**

You may operate your business under any one of several organizational structures. Each type of business structure has certain advantages and disadvantages that should be considered. You should contact an attorney, accountant, financial advisor, banker, or other business or legal advisors to determine which structure is most suitable for your business.

A **Sole Proprietorship** is one individual or married couple in business alone. Sole proprietorships are the most common form of business structure. This type of business is simple to form and operate, and may enjoy greater flexibility of management, fewer legal controls, and fewer taxes. However, the business owner is personally liable for all debts incurred by the business.

A **General Partnership** is composed of two or more persons (usually not a married couple) who agree to contribute money, labor, and/or skill to a business. Each partner shares the profits, losses, and management of the business, and each partner is personally and equally liable for debts of the partnership. Formal terms of the partnership are usually contained in a written partnership agreement.

A **Limited Partnership** is composed of one or more general partners and one or more limited partners. The general partners manage the business and share fully in its profits and losses. Limited partners share in the profits of the business, but their losses are limited to the extent of their investment. Limited partners are usually not involved in the day-to-day operations of the

business.

Limited partnerships beginning business in Washington must file a Certificate of Limited Partnership with the Corporations Division of the Office of the Secretary of State. Previous corporate and partnership certificates issued by county clerks' offices throughout the state have been transferred to the Secretary of State for centralized filing and access.

A **Corporation** is a more complex business structure. As a chartered legal entity, a corporation has certain rights, privileges, and liabilities beyond those of an individual. Doing business as a corporation may yield tax or financial benefits, but these can be offset by other considerations, such as increased licensing fees or decreased personal control. Corporations may be formed for profit or nonprofit purposes.

The **Limited Liability Company (LLC)** and the **Limited Liability Partnership (LLP)** are the newest forms of business structure in Washington. An LLC or LLP is formed by one or more individuals or entities through a special written agreement. The agreement details the organization of the LLC or LLP, including: provisions for management, assignability of interests, and distribution of profits or losses.

Limited liability companies and limited liability partnerships are permitted to engage in any lawful, for profit business or activity other than banking or insurance.

#### **Forming a Corporation, Limited Partnership, Limited Liability Company, or Limited Liability Partnership**

*Domestic organizations* (those formed in Washington) must file organizing documents with the Corporations Division of the Office of the Secretary of State for review and approval before legal existence can begin. One original of the organizing documents and fees must be sent directly to the Corporations Division of the Office of the Secretary of State.

*Foreign organizations* (those formed in a state other than Washington or in a foreign country) must submit one original of an application for a Certificate of Authority to Do Business in Washington. The application must be accompanied by a certificate of good standing issued by the state where the organization was originally formed.

A *nonprofit corporation*, such as a religious, social, charitable, or educational organization, must file one original Articles of Incorporation with the Office of the Secretary of State.

### ***Registered Agent***

All corporations and limited liability companies doing business in Washington must have a registered agent with a Washington State address. The registered agent may be an individual or any other organization qualified by the Corporations Division of the Office of the Secretary of State to do business in Washington.

The registered agent receives license renewals and other notices and forwards them to the organization. The agent also accepts legal papers served on the corporation. The organizing documents or application to do business in Washington must contain or be accompanied by a statement signed by the registered agent indicating consent to serve.

### ***Filing Requirements and Fees***

The forms used for filing Articles of Incorporation, Certificate of Authority or Certificate of Formation are available from the Corporations Division of the Office of the Secretary of State or the Department of Licensing's Master License Service. Basic forms are also available online. [www.secstate.wa.gov/corps](http://www.secstate.wa.gov/corps)

The filing fee is \$175 for profit corporations, limited liability company or limited liability partnerships or \$30 for nonprofit corporations.

Additional fees and filing requirements may apply to insurance companies, building and loan associations, public utility companies, cooperative associations and other specialized profit corporations.

### ***Licensing and Fees***

All organizations registered with the Office of the Secretary of State must annually pay a renewal fee and/or file a list of officers and directors (known as an annual report) with the Corporations Division of the Office of the Secretary of State.

Profit corporations pay an annual corporate renewal fee of \$50 plus a handling fee of \$9. There is no annual report fee.

For nonprofit corporations, there is no annual corporate license renewal fee, but there is an annual report fee of \$10.

Limited liability companies and limited liability partnerships must annually pay a renewal fee and file a list of members and managers.

## **Licensing Your Business**

### **Unified Business Identifier Program**

The Unified Business Identifier (UBI) is a nine-digit number that is assigned to your business. When you apply for a business license through the Master License Service of the Department of Licensing or register with the departments of Revenue, Labor and Industries, Employment Security, or the Office of the Secretary of State.

Prior to the UBI program, each state agency assigned its own business identification number. Now, all agencies participating in the UBI program can identify a business using the UBI number, so a business owner can use the same identifying number when dealing with different state agencies.

Your UBI number will stay the same as long as you operate your business under the same business structure. If you change your business (for example, from a sole proprietorship to a corporation), you must apply for a new UBI number.

### **One-Stop Registration**

One-Stop Registration allows business owners to fulfill many registration and licensing requirements by completing a Master Application form and making a single payment. Applications can be submitted statewide at 39 field offices of the departments of Employment Security, Labor and Industries, and Revenue; at the Master License Service in Olympia; at the Corporations Division of the Office of the Secretary of State in Olympia; or through the mail.

You will be issued a UBI number when your Master Application is received. Your actual business license will follow in the mail.

If you need any specialty licenses, such as liquor or lottery licenses, you will be asked to submit additional information and then must await approval from the regulating agency before beginning your business operation.

## Master License Service

The Master License Service (MLS) in Olympia is the main processing and distribution point for the UBI program. Applications and fees collected throughout the state are sent to the MLS data center. Data and fees are then passed on to other agencies for further action.

MLS also produces the *Registrations and Licenses document*. This document serves as your state business license and lists all state licenses, registrations and permits available through MLS that have been granted to your business. After you have opened a business, MLS acts as the point of contact for renewals and business information changes.

For online services offered by MLS, visit their website. [www.dol.wa.gov/businesses.htm](http://www.dol.wa.gov/businesses.htm).

## Trade Name Search

If you are using a trade name (a business name other than the full legal name of the business owner), you must register the trade name with MLS. The Master Application is used for this purpose. Once a trade name is registered, the registration remains in effect until the business owner cancels it.

You may call MLS at 1-900-463-6000 to find out whether a trade name is registered in Washington, the names of the owners and any other public information. Each call costs \$4.95 for the first minute and \$0.50 for each additional minute.

## Personalized Licensing Packet

The personalized licensing packet is a service of MLS. The packet contains a Guide Sheet that indicates the state licensing requirements for your business operation and refers you to other government offices that can serve you. Included in your packet is a Master Application and any other forms needed to fulfill the basic requirements for the state.

MLS offers the customized licensing packet online or through the mail.

### *Obtaining Your Licensing Packet*

1. Visit MLS's WALI program at [www.dol.wa.gov/mls/wali.htm](http://www.dol.wa.gov/mls/wali.htm) to obtain the guide sheet online. The Master Application will be available at the end of the guide sheet. This will give you the option to complete it online, print it out or request to have it emailed or mailed to you. Most people will be able to file the online application.

If you do not have Internet access, call the Master License Service at (360) 664-1400.

2. You will need the following information when you start to use WALI or talk to an operator:
  - What type of service will be provided, or what types of goods will be manufactured or sold?
  - Where is your geographical area of operation?
  - Under what type of ownership structure will the business operate (e.g., sole proprietorship, corporation)? For more information, see the section on Business Structures.
  - Will you be hiring any employees?
3. Once you receive your customized information, complete the Master Application and any additional forms. If submitting paperwork by mail, **be sure to sign each form and send the required fees.** (Incomplete forms and lack of payment cause a delay in processing.)
4. Contact any federal, county, and city agencies listed on the guide sheet to find out what you need to do to fulfill their requirements.

### *After You Submit Your Application*

You may begin business operations immediately after your UBI number is assigned, as long as you do not need any additional licenses that require agency approval. **Some licenses will require special approval (for instance liquor, lottery, or vehicle dealers) and there will be a waiting period while the appropriate agencies complete an investigation.**

If you complete the sections on the Master Application related to employees, request industrial coverage for yourself or business partners, or request industrial or unemployment insurance coverage for corporate officers you will be contacted by the departments of Labor and Industries and/or Employment Security about coverage and taxes or fees.

If you conduct business at more than one location, you will receive a separate *Registrations and Licenses document* for each place of business.

## Master License Endorsements

The following is an alphabetical listing of all agencies from which various licenses, registrations, and permits are available from MLS. The *License Fee Sheet* that accompanies the Master Application provides a brief description of each license available, including fees.

Department of Agriculture

Department of Ecology

Employment Security Department

Department of Health - Board of Pharmacy

Department of Labor & Industries

Department of Licensing

Liquor Control Board (For a more complete description of liquor licenses, see the *Liquor License Description and Fee Information* sheet supplied by the Master License Service.)

Lottery Commission

Department of Revenue

Office of the Secretary of State (renewals only)

The following cities also have licenses available through MLS.

City of Bellevue

City of Richland

City of Sammamish

City of Spokane Valley

City of Tumwater

If you have questions about the licensing requirements for your business, contact the Master License Service at (360) 664-1400.



# PAYING TAXES

## State Taxes

### **Tax Registration and Reporting**

To obtain a tax registration, you will need to submit a Master Application as described in the section entitled “Obtaining Your Licensing Packet” on page 3 of this booklet.

The Department of Revenue will send you tax information after your business registration has been completed.

You cannot transfer your tax registration to another business owner. Your registration is valid as long as you stay in business.

For more information, call the Department of Revenue’s Telephone Information Center at 1-800-647-7706.

### **Filing Tax Returns and Payments**

New accounts are generally assigned a quarterly reporting frequency; however, your reporting frequency may later be changed to monthly or annual reporting. You will be notified of any changes and sent the appropriate tax returns for filing.

### **Electronic Filing (e-file)**

The Department of Revenue offers businesses the ability to file and pay their Washington State taxes directly over the Internet. Electronic Filing (e-file) is an easy-to-use, intuitive system that walks taxpayers through the return process, calculates taxes automatically, flags errors and omissions, and provides instant online access to the latest tax information.

E-file is a secure system protected by sophisticated encryption and passwords. It allows you to customize your tax return and delivers an electronic confirmation message when it’s received.

Filing taxes with e-file takes less than 10 minutes and best of all it’s free. To learn more about Electronic Filing (e-file) and to see if you qualify, visit the Department’s web site. <http://dor.wa.gov> or call toll-free 1-877-345-3353.

### **Geographic Information System for Sales Tax**

With more than 350 state and local sales and use tax codes, taxpayers are often uncertain which codes and tax rates apply to specific locations. To make this task easier, the Department of Revenue developed an Internet-based Geographic Information System (GIS) that links to tax information. When a person types in

a street address or points to a location on a state map, the system automatically provides the applicable sales tax rate and code. To access the GIS system, visit the Department’s web site. <http://dor.wa.gov>

### **Common State Excise Taxes**

#### ***Business and Occupation Tax***

Persons that engage in business in Washington are subject to business and occupation tax (B&O) and/or a public utility tax. These taxes are based on gross receipts, gross sales, or gross income of the business. The rates vary depending on the type of business activities, and range from .0138 percent to 5.029 percent.

Businesses whose B&O tax liability is below certain levels may qualify for the small business tax credit. Contact the Department of Revenue for more information at 1-800-647-7706 or visit their web site. <http://dor.wa.gov>

#### ***Retail Sales Tax***

The state retail sales tax rate is 6.5 percent. Local governments impose sales tax ranging from 0.5 percent to 2.0 percent. You should collect both state and local sales tax at the time of the sale. It is reported on an *Excise Tax* return to the Department of Revenue.

### **Other State Excise Taxes**

The following taxes may apply to your businesses based on business location or business activities. To find out more information, please call the Department of Revenue at 1-800-647-7706.

#### ***Personal Property Taxes***

Businesses also are responsible for reporting their non-exempt business assets to the assessor’s office in the county in which their business is located. Please contact the assessor’s office in your county to find out about your county’s personal property reporting requirements.

Additional information about the personal property assessment process is also available from the Department of Revenue and on their web site. <http://dor.wa.gov>



### ***King County Food and Beverage Tax***

King County imposes a sales/use tax of 0.5 percent on food and beverages sold by restaurants, taverns and bars. The tax is not deductible from the state tax so it increases the overall tax rate on such products to 9.3 percent within King County. The tax is intended to apply to prepared items, which are consumed on premises; grocery stores and convenience stores are exempt. Receipts of the tax are dedicated to funding of the professional baseball stadium in Seattle.

### ***Regional Transit Authority Tax (RTA)***

The Regional Transit Authority in King, Pierce and Snohomish counties obtained voter approval of a tax addition to the sales/use tax. Pursuant to this authority a local sales tax of 0.4 percent is in effect throughout the RTA district covering the urban area of these three counties. Since not all areas of the three counties are within the RTA district, you will need to consult the Department's Geographic Information System or contact the Department of Revenue to determine if the tax applies. The RTA tax will be used to fund the ten-year regional transit plan for a rail and bus rapid transit system within the RTA district.

### ***Motor Vehicle Sales/Rentals/Leases***

Motor vehicles are subject to an additional sales/use tax of 0.3 percent. The tax applies to sales, rentals, and leases of motor vehicles (including trucks and motor homes) licensed for on-road use. This tax does not apply on retail car rentals that are subject to rental car tax.

### ***Use Tax***

Use tax applies to the use of any tangible personal property when Washington State retail sales tax was not paid at the time of the sale, purchase, or manufacture of the property.

### ***Litter Tax***

Manufacturers, wholesalers, and retailers may be required to pay a litter tax on gross sales of certain products.

### ***Public Utility Tax***

Utilities and common carriers pay the state public utility tax instead of the business and occupation (B&O) tax.

### ***Forest Excise Tax***

The Forest Excise tax applies to all timber

harvested on private, state or federal land. The quarterly tax is based on the value of the timber at the time of harvest. The taxable amount is determined by small or large harvester methods or public sale bid prices. If the gross value of the timber exceeds \$100,000 in a calendar year, that value will also be subject to B&O tax. For more information call the Forest Tax section at 1-800-548-8829.

### ***Cigarette Tax***

If you wholesale or distribute cigarettes, you must pay the cigarette tax. Payment of this tax is made through the purchase of stamps from the Department of Revenue or its authorized agent.

### ***Tobacco Tax***

Distributors, importers, or manufacturers of tobacco products (other than cigarettes) pay the tobacco products tax.

### ***Real Estate Excise Tax***

A tax of 1.28 percent applies to all sales of real property. The seller generally pays the tax to the County Treasurer, acting as an agent for the Department of Revenue. In addition, local real estate excise taxes may apply.

### ***Leasehold Excise Tax***

Tax is imposed on the rent paid to lease publicly owned property such as publicly owned port, tidelands, recreational or industrial property.

### ***Property Taxes***

Property taxes are assessed by the county assessor's office and include both real and personal property.

Real property includes land, buildings, structures, improvements and rights and privileges belonging to land. You will receive a real property assessment from your county assessor's office.

Personal property tax is assessed on assets such as furniture, office equipment and machines used or held in the operation of a business. Personal property must be reported when you begin your business. Contact the county assessor's office in the county your business is located in.

### ***Insurance Premiums***

Insurance companies pay a tax on the net premiums they receive. Title insurance, health contracts, and fraternal benefit societies do not pay this tax. For more information on insurance tax, contact the Insurance Commissioner's office at 1-800-562-6900.

## **Federal Taxes**

### **Federal Employer Identification Number**

Sole proprietors who are not employers usually do not have to apply for a Federal Employer Identification number unless they engage in certain types of business activities.

All other business entity types must apply for this registration whether they have employees or not. For more information on this registration, call the IRS at 1-800-829-1040 or visit their web site.

<http://www.irs.gov>

### **Social Security Taxes**

Nearly all self-employed persons are required to participate in the Social Security program. Accurate records are essential. For more information, call 1-800-772-1213.

## **City and County Taxes**

If the city where you are located has business taxes and you do business within the city limits, you will need to register with the city taxing authority, such as the city auditor. Businesses located outside the city limits should contact the county auditor, to determine county registration requirements.

## Federal Tax Checklist (as of March 31, 2005)

The following is a list of federal taxes that may affect your business. To obtain more information or request forms, contact the Internal Revenue Service at 1-800-829-1040 or <http://www.irs.gov>

| If you:  | You may be liable for:         | You should use form: |
|--|--------------------------------|----------------------|
| <b>Do business as a:</b>   |                                |                      |
| Corporation, association, etc.....   | Income tax.....                | 1120 or 1120A        |
| Corporation electing not to be taxed.....                                  | Information return.....        | 1120S SCH K-1        |
|  | Income tax.....                | 1040                 |
| Partnership .....  | Information return.....        | 1065 SCH K-1         |
|  | Income tax.....                | 1040                 |
| Sole proprietor (or partner) .....   | Estimated tax.....             | 1040ES               |
|  | Self-employment tax.....       | 1040 SCH SE          |
|  | Income tax.....                | 1040 SCH C or C-EZ   |
| <b>Employ one or more persons.....</b>                                     | Income tax withholding .....   | 941                  |
|  | FICA taxes .....               | 941, 1040 SCH H      |
|  | FUTA taxes .....               | 940                  |
|  | For deposits.....              | 8109                 |
| <b>Furnish facilities for:</b>   |                                |                      |
| Local and toll telephone service and teletypewriter exchange service ..... | Excise tax .....               | 720                  |
| Transportation of persons or property by air .....                         | Excise tax .....               | 720                  |
| <b>Issue</b> insurance policies (purchased from a foreign insurer) .....   | Excise tax .....               | 720                  |
| <b>Maintain</b> punchboards for use .....                                  | Occupational tax .....         | 11-C                 |
|  | Wagering tax .....             | 730                  |
| <b>Manufacture, produce or import:</b>                                     |                                |                      |
| Beer .....   | Excise tax .....               | TTB F 5000.24        |
| Cigars, cigarettes, cigarette papers or tubes.....                         | Excise tax .....               | TTB F 5000.24        |
| Distilled spirits .....  | Excise tax .....               | TTB F 5000.24        |
|  | Occupational tax .....         | TTB F 5630.5         |
|  | Manufacturers excise tax ..... | 720                  |
| Coal .....   | Manufacturers excise tax ..... | 720                  |
| Gasoline .....   | Manufacturers excise tax ..... | 720                  |
| Fishing equipment.....   | Manufacturers excise tax ..... | 720 and TTB F 5630.5 |
| Gasohol .....  | Occupational tax .....         | 720                  |
| Non beverage products using distilled spirits subject to drawbacks .....   | Occupational tax .....         | 5630.5               |
| Petroleum products .....   | Manufacturers excise tax ..... | 720                  |
| Rectified spirits or wines.....  | Occupational tax .....         | TTB F 5630.5         |
| Tires .....  | Manufacturers excise tax ..... | 720                  |
| Wine .....   | Excise tax .....               | TTB F 5000.24        |
| <b>Operate a:</b>  |                                |                      |
| Brewery.....   | Occupational tax .....         | TTB F 5630.5         |
| Truck, truck-tractor, or bus on a highway.....                             | Federal use tax .....          | 2290                 |
| Wagering pool, lottery, or otherwise accept wagers ...                     | Occupational tax .....         | 11-C                 |
|  | Wagering tax .....             | 730                  |
| Wholesale liquor dealership.....   | Occupational tax .....         | TTB F 5630.5         |
| <b>Sell at retail:</b>   |                                |                      |
| Diesel and special fuels (including aviation fuels) ....                   | Retailers excise tax .....     | 720                  |
| Distilled spirits, wines, or beer .....                                    | Occupational tax .....         | TTB F 5630.5         |

## HIRING EMPLOYEES

If you will be hiring employees for your business, you must register with the State Department of Labor and Industries, the Employment Security Department, and the U.S. Internal Revenue Service. In addition, there are both state and federal requirements regarding employee pay, working hours and conditions.

### Who is an employee?

Business owners frequently get confused about who is an employee and who may be considered to be an independent contractor.

An employee is generally subject to your control. Control exists when the employer determines the start and end times each day, which days the employee reports to work, what the worker will do on the job and how they will do it.

Independent contractors are customarily engaged in their own independent occupation or business, and are registered or licensed with the appropriate state and federal agencies. They usually advertise their services, are in a position to realize profit or loss as a result of their services, and usually have a significant investment in their business. They also keep business records, report to the IRS as a business and usually have a place of business from which they operate. You can expect an independent contractor to provide everything necessary to complete their job.

For more information contact the Employment Security Department or the Department of Labor and Industries. Their telephone numbers can be found in the Resource section.

### Employer Registrations

#### State Unemployment Insurance

You will probably be required to make unemployment insurance contributions if you have any employees. Contribution rates depend on your experience as an employer, the rate paid by the previous business owner or the average rate for your industry. You cannot charge any part of the tax to your employees. Your responsibilities in the unemployment insurance program are discussed in a booklet entitled *Unemployment Insurance Tax Information*. This booklet is available at any of the 12 Employment Security District Tax Offices listed on the *Where to File the Master Application* sheet that accompanies the Master Application or online. <http://fortress.wa.gov/esd/portal/unemployment/taxes/taxbook>

#### *Exemptions to Unemployment Insurance Coverage*

You may not have to pay unemployment insurance on the following types of employment:

- Family employment, spouse or unmarried children under the age of 18 (sole proprietors only).
- Insurance agents, insurance solicitors, or real estate salespersons paid by commission.
- Outside salespersons of merchandise who are paid solely by commission.
- Casual labor not in the usual course of your trade or business (labor which does not promote or advance your trade or business). Note: Domestic services or part-time or temporary labor in the usual course of your business are not considered casual labor.
- Corporate officers, unless the corporation has elected to provide unemployment insurance coverage for all corporate officers. Contact your local Employment Security Department District Tax Office for more information regarding this coverage. If you do not elect to provide coverage for corporate officers, you must inform each corporate officer *in writing* that they do not have unemployment insurance coverage.
- Certain beauty and barber shops.
- Musicians and entertainers, if exempted by written contract.
- Students on small farms.
- Spouses and unmarried children under age 18 of corporate officers or partners on a small farm.
- Spouses and unmarried children under age 18 of sole proprietors, regardless of the size of the farm.

Your Employment Security Department District Tax Office can evaluate your situation to determine if you are required to make contributions for your employees. Your closest district office should be listed in your city telephone book, or may be found online. <http://fortress.wa.gov/esd/portal/info/speaktoaperson>

## Industrial Insurance (Workers' Compensation)

Virtually every employer in the state is required to carry industrial insurance for each employee. This coverage provides dual protection. As a business owner, you are protected from lawsuits due to job-related injuries or illnesses, and your employee gains compensation if an injury or occupational illness occurs and time is lost from work.

To open an account, complete a Master Application. The type of business described on your application will be used by the Department of Labor and Industries to assign risk classifications and premiums. The industrial insurance program is described in a booklet entitled *The Employer's Guide to Industrial Insurance*, which is available from the Department of Labor and Industries on-line at [www.lni.wa.gov](http://www.lni.wa.gov) or call the service location nearest you.

### Self-Insurance

The self-insurance program is an alternative industrial insurance option designed for large employers. These employers must meet minimum financial requirements, demonstrate the ability to make prompt payment of all benefits and assessments under the industrial insurance law, and maintain an active safety program with a record of accident prevention.

### Exemptions to Industrial Insurance Coverage

The following types of employment are excluded from mandatory coverage, but you may obtain coverage if you wish:

- Sole proprietors or partners of a business.
- Managers or members of an LLC who are both a member (owner) and a manager.
- Members of an LLC with members only (no managers).
- A Bona fide corporate officer of a public corporation that has more than 300 shareholders. May sell shares of stock on the public stock exchange. The officer must be:
  1. Voluntarily elected or appointed
  2. Bona fide director
  3. Shareholder
  4. Exercise substantial control in the daily management of the corporation
  5. Primary responsibility not to include manual labor.
- A Bona fide corporate officer of non-public corporation - has fewer than 300 shareholders and shares are not for sale on the public stock exchange. The criteria for the officers of a non-public corporation to be exempt from industrial insurance are:
  1. Shareholder of the corporation
  2. Exercise substantial control in the daily management of the corporation.
  3. May exempt up to eight officers
  4. Can perform manual labor
- A Bona fide corporate officer of a family owned corporation. May exempt corporate officers if all are related by marriage or by blood within the 3rd degree.
- Employees who are not connected with the trade, profession, or business of the employer and whose work is not in or about the employer's private home.
- Persons employed to do gardening, repair, or maintenance of the private home of the employer.
- Employees whose industrial insurance benefits are provided by another government plan.
- Children under 18 years of age employed on their parents' farm.
- Domestic servants when there are fewer than two who spend at least 40 hours per week each at their employer's residence.
- Persons performing services in exchange for aid or food from religious or charitable organizations.
- Musicians or entertainers not regularly employed by the purchaser.
- Volunteer law enforcement officers (full coverage or medical only is available).
- Volunteer workers for charitable, non-profit organizations (medical only is available).
- Student volunteers from kindergarten through grade 12 for a program authorized by the school (medical only is available).
- Court-ordered community service workers.
- Insurance agents, brokers, and solicitors.
- Newspaper carriers selling or distributing on the street or house to house.
- Cosmetologists, barbers, and manicurists who rent or lease stations in salons.

Contact the Department of Labor and Industries to obtain an application for optional coverage. They will inform you of the necessary premiums.

## **Federal Employer Identification Number**

If you are an employer, you must obtain a Federal Employer Identification Number (FEIN) from the U.S. Internal Revenue Service. (There are also special cases when the FEIN is required even though your business may not be hiring employees.) For more information, or to obtain the FEIN application form, call 1-800-829-1040 or visit their website. [www.irs.gov/businesses/small/index.html](http://www.irs.gov/businesses/small/index.html)

## **Payroll and Other Employer Taxes**

### **Federal Payroll Taxes**

Information about employer/employee relationships, taxable wages, the treatment of special types of employment and payments, and related matters are covered in the free booklet, Publication 15 (*Circular E*).

The Internal Revenue Service (IRS) provides a free Small Business Resource Guide CD-ROM (Publication 3207) that contains tax forms, instructions and publications needed by small business owners.

You may also obtain publications and forms from the IRS by calling 1-800-829-3676.

For individual assistance on tax regulations and other tax-related issues, call 1-800-829-1040.

The IRS also provides training classes for business operators. To obtain a current class schedule, call (206) 220-5300.

## ***Federal Income Tax Withholding***

Employers must withhold federal income taxes from wages based on the employee's gross income, marital status, pay frequency and withholding allowances as claimed on a W-4 form (see "Employee Records"). The amount to be withheld is figured separately for each payroll period. IRS *Circular E* contains instructions and tables for determining the amount of tax to withhold.

## ***Federal Unemployment Tax***

Under the Federal Unemployment Tax Act (FUTA) requirements, most employers are liable for federal unemployment taxes.

## ***Social Security***

The Federal Insurance Contribution Act (FICA) ensures income for retired persons who have worked for a period of time before retirement. Both employers and employees pay FICA taxes.

Employers are required to withhold a fixed percentage of employee wages, match each employee's contribution and make periodic deposits to the IRS. Accurate records are essential. Self-employed persons are also required to make contributions. For more information call 1-800-772-1213.



## **Employee Records**

### **Employee Withholding Allowance Certificate (W-4)**

If you have employees, you must obtain an *Employee's Withholding Allowance Certificate* (W-4) from each employee. This form indicates the employee's gross income, marital status, pay frequency and withholding allowances to be used for determining the appropriate federal income tax to be withheld. The W-4 form is available from the IRS.

### **Employment Eligibility Verification (I-9)**

All employers are required to complete and maintain an *Employment Eligibility Verification* form (I-9) within three business days of the date of hire of each employee. The form must be maintained in the employee's personnel file for audit purposes.

The I-9 form is obtained from the Immigration and Naturalization Service (INS) by calling (206) 553-5956 or 1-800-777-7700.

### **Employee Earnings and Work Hours**

Under provisions of the federal Fair Labor Standards Act, employers are required to keep records on wages, hours, and other items as listed below. No particular format of record is required.

- Name, home address, and birth date if the employee is under 19;
- Sex and occupation;
- Hour and day when the work week begins;
- Regular hourly pay rate for any week when overtime is worked;
- Hours worked each work day and total hours worked each work week;
- Total daily or weekly straight time earnings;
- Total overtime pay for the work week;
- Deductions or additions to wages;
- Total wages paid each pay period;
- Date of payment and pay period covered.

Employers who have employees who work at home must have entries in handbooks supplied by the U.S. Department of Labor, Wage and Hour Division. Records of the required information must be preserved for three years.

## **New Hire/Rehire Reporting**

All employers are required to report every newly Hired and rehired employee to the Division of Child Support. Employers may be required to withhold part of a parent's wages when they owe child support, and to help enforce medical insurance requirements. You may be required to withhold wages even if the parent is not behind in their child support payments.

There are special rules if you operate your business in more than one state.

You can report electronically, by fax, by mail or by phone. Contact 1-800-457-6202 or for the brochure *An Employer's Guide to Child Support*, or check these web locations:

<http://www1.dshs.wa.gov/newhire/>

<http://www1.dshs.wa.gov/dcs/index.shtml>

## **Employment Standards**

As an employer, you must follow specific regulations related to wages, pay periods, employment records, physical lifting, wearing apparel, and rest periods. Please call Department of Labor and Industries at (360) 902-5316 or toll free 1-866-219-7321 for a new employer packet.

### **Minimum Wage**

As of January 1, 2005, the state minimum wage is \$7.35 per hour. Please note the minimum wage is adjusted every January 1.

For more information about the state minimum wage, contact your local Department of Labor and Industries office or call (360) 902-5316.

### **Prevailing Wages**

Most federal, state, and municipal public works contracts and certain other federal contracts require that prevailing rates be paid to most non-supervisory personnel. Prevailing wages and benefits are the average wages and benefits for an industry type in a specific geographic area.

### ***State Prevailing Wage***

All public works contracts with state and local agencies require that you pay prevailing wages and benefits as determined by:

Department of Labor and Industries  
Prevailing Wage  
PO Box 44540  
Olympia, WA 98504-4540  
Telephone: (360) 902-5335

### ***Federal Prevailing Wage***

You must pay prevailing wages and benefits to your employees if you have public works contracts exceeding \$2,000 using federal funds or federal service contracts exceeding \$2,500. These prevailing wages and benefits are included in the contract documents. For more information, contact the U.S. Department of Labor.

### ***Child/Minor Labor***

You must obtain a minor work permit from the Department of Labor and Industries if you employ workers under age 18. You must maintain a parental and school authorization form for each minor you employ. Minors have certain restrictions, and there are some differences between the state and federal restrictions. Minors cannot perform hazardous work duties and they have limited working hours. Minors working in agricultural occupations may have a few different restrictions than those working in non-agricultural jobs. The minimum wage for 16 and 17-year-old workers is the same as for adults. Minors under 16 may be paid 85 percent of the state minimum wage.

### ***Disabled Workers***

Federal law provides for certificates of employment for disabled workers at less than minimum rates, subject to the approval of the U.S. Department of Labor. The rate to be paid is set by the certificate and is designed to reflect the person's working capacity.

### ***Overtime***

You must pay overtime at not less than one and a half times the regular rate of pay for hours worked over 40 hours per week. Salaried executive, administrative, and professional employees, and outside salespersons are exempt from overtime laws. Other exemptions include seamen and agricultural workers.

Check with the state Department of Labor and Industries for additional information on overtime pay and exemptions.

**There are differences between state and federal laws; you must comply with the more stringent of the two laws.**

You may not fire, discipline or discriminate against an employee who files a complaint concerning violations of employment standards

### ***General Working Conditions***

The state Department of Labor and Industries establishes and enforces standards related to the health and safety of employees. This responsibility was included in the 1973 Washington Industrial Safety and Health Act (WISHA), which set standards for safe and healthful workplaces for employees.

The Department of Labor and Industries provides free consultations to interpret the safety codes and identify hazards that affect your business operation. Free educational services and training programs are available to help pinpoint and eliminate causes of injury and illness.

The Department also performs periodic inspections to ensure that established standards are being met. Under WISHA, you must keep records of all job-related injuries and illnesses.

In addition, you must provide employees with information about hazardous substances to which they are exposed, as required by the Worker Right to Know law.

For more information on health and safety rules or a free copy of the pamphlet, *A Guide to WISHA*, contact your local Labor and Industries field office, or the main office at:

WISHA Services

Department of Labor and Industries

PO Box 44600

Olympia, WA 98504-4600

Toll-free: 1-800-423-7233

## Required Posters

State law requires that you display a poster entitled *Your Rights as a Worker* in the place of employment. This poster and information on other employment regulations are available from your local Department of Labor and Industries service location, or:

Employment Standards  
Department of Labor and Industries  
PO Box 44510  
Olympia, WA 98504-4510  
Telephone: (360) 902-5316  
Toll Free: 1-866-219-7321

State law requires that you display the poster entitled *Job Safety and Health Protection* at each establishment in a conspicuous place or places where notices to employees are customarily posted. This poster and information on safety and health regulations are available from your local Department of Labor and Industries service location, or:

WISHA Services  
Department of Labor and Industries  
PO Box 44600  
Olympia, WA 98504-4600  
Toll Free: 1-800-423-7233

State law also requires that you display a poster entitled *Notice to Employees* in your place of employment. This poster is available from your local Employment Security District Tax Office, or:

Employment Security Department  
UI Tax Administration  
PO Box 9046  
Olympia, WA 98504-9046  
Telephone: (360) 902-9360

You may also be required under federal law to display a poster entitled *Your Rights Under the Fair Labor Standards Act*. Private employers must also display the Employee Polygraph Protection Act poster. These posters and information on other federal regulations are available from:

U.S. Department of Labor  
Wage and Hour Division  
1111 3rd Avenue, Suite 755  
Seattle, WA 98101-3212  
Telephone: (206) 553-4482

## GETTING ADVICE

Government has a vested interest in helping businesses to succeed. There are a wide variety of sources of business advice at the state, federal, and local level.

### **State Resources and Institutions**

#### **Washington State Department of Community, Trade and Economic Development**

The Department of Community, Trade and Economic Development (CTED) offers and supports a variety of programs providing technical and financial assistance to new and existing businesses within Washington State. CTED also offers assistance to businesses that are considering a new or expanded location in Washington. CTED conducts worldwide market development and tourism opportunities through its International Trade and Tourism offices.

For information about CTED programs call 360-725-4100 or visit their website. [www.cted.wa.gov](http://www.cted.wa.gov)  
[www.choosewashington.com](http://www.choosewashington.com)  
[www.experiencewashington.com](http://www.experiencewashington.com)

#### **Office of Minority and Women's Business Enterprises**

The purpose of the Office of Minority and Women's Business Enterprises (OMWBE) is to increase the participation of minority and women's business enterprises in state contracting.

Businesses interested in becoming certified as minority- or women-owned and controlled businesses should contact the OMWBE for an application for certification.

OMWBE produces a quarterly directory of certified businesses and disadvantaged enterprises for the use of state agencies, local jurisdictions, and the public. It is available for a small fee from:

OMWBE  
406 S. Water  
PO Box 41160  
Olympia, WA 98504-1160  
(360) 753-9693

#### **Department of Ecology**

The Department of Ecology provides numerous educational and technical assistance programs regarding environmental issues that affect businesses. A complete list of agency publications, brochures and bulletins is available from:

Washington State Department of Ecology  
Publications Distribution  
PO Box 47600  
Olympia, WA 98504-7600

To find out if your project requires an environmental permit or license, call the Office of Regulatory Assistance at (360) 407-7037 or 1-800-917-0043. [www.ecy.wa.gov/programs/sea/pac/servcenter.html](http://www.ecy.wa.gov/programs/sea/pac/servcenter.html)

Projects likely to require environmental permits or approval include projects that discharge to air, water or land; generate or use hazardous materials; or are located on or near water or wetlands.

If you need technical assistance regarding permits and regulations, please contact your regional office of the Department of Ecology.

The Small Business Liaison can provide direction and guidance for issue identification and resolution. The phone number is (360) 407-7018.

#### **Washington Technology Center**

University of Washington  
(206) 685-1920, Seattle

The Washington Technology Center (WTC) is committed to meeting industry needs for commercially promising research, technology development and transfer.

Industry and federal agencies may collaborate with the Center to develop technologies for specific commercial applications.

Two programs, Entrepreneur's Access and Focused Technology Initiatives, offer opportunities for entrepreneurs and small- to medium-sized businesses in Washington to participate in proof-of-concept, feasibility or prototype development for innovative technologies. WTC also provides access to equipment for use by industry, as well as technology information that can link company needs with development capabilities.

Research programs are underway in laboratories at the University of Washington in Seattle and Washington State University in Pullman in the areas of biotechnology, electronic materials and design, manufacturing technology, bio-materials, applications of virtual reality, computer systems and microsensors.

## **State Board for Community and Technical Colleges**

(360) 704-4400 Olympia

Washington's community and technical colleges offer customized education and technical training for your employees. You can choose from the many programs, classes and workshops offered or work with a staff member to develop a curriculum specifically directed to meet your business training needs.

## **Small Business Development Center (SBDC)**

(509) 3587-7765

[www.wsbdc.org](http://www.wsbdc.org)

The SBDC provides business management and technical assistance, training and research to small business owners and managers. Their Business Development Specialists provide no-fee, confidential, one-on-one counseling on management topics, and assist in buying, selling or starting a business, preparing a business plan, choosing and incorporating new technology, analyzing financials and improving marketing.

## **Federal Resources and Institutions**

### **U.S. Small Business Administration (SBA)**

Seattle District Office

(206) 553-7310 General Information

(206) 553-7070 Recorded Information

The Small Business Administration (SBA) is a federal agency that assists small businesses by providing loan guarantees, counseling, help with securing government contracts, and by acting as a special advocate for small businesses with other federal and state agencies and the private sector.

## **Service Core of Retired Executives (SCORE)**

(206) 553- 7320 Seattle

(253) 680-7770 Tacoma

(360) 699-1079 Vancouver

The U.S. Small Business Administration's SCORE Program is an organization of volunteer retired business executives who offer counsel to small businesses for start-up and expansion needs. SCORE also sponsors workshops and seminars on business information and operation.

[www.score.org](http://www.score.org)

## **Northwest Trade Adjustment Assistance Center (TAAC)**

(206) 622-2730

The Northwest Trade Adjustment Assistance Center (TAAC) funds assistance for import-injured manufacturers through a grant from the U.S. Department of Commerce. TAAC staff will assist eligible firms in the development and implementation of a recovery strategy designed to help the firm regain its competitive position in the marketplace.

## **U.S. Internal Revenue Service**

The Internal Revenue Service (IRS) provides small business workshops and seminars both online and in local areas.

For information regarding workshops and seminars in the Seattle area, call the Taxpayer Education and Communication Office at (206) 220-5300 or visit their website at [www.irs.gov](http://www.irs.gov) and search for small business workshops.

## GETTING FINANCIAL HELP

If financing your business venture is a challenge, there are many government sources for grants, loans and other types of financial assistance.

### **State Resources**

#### **Business Finance Unit (BFU), Department of Community, Trade and Economic Development (CTED)**

The Business Finance Unit provides a range of technical assistance and financing services to assist businesses in obtaining capital for start-up and expansion projects that create or retain jobs, stimulate private investment, and increase local tax base.

For specific questions about our loan programs, please visit our web site at [www.cted.wa.gov](http://www.cted.wa.gov) then click on *Divisions/Economic Development/Programs & Services/Business Assistance*.

### **Federal Resources**

#### **U.S. Department of Agriculture**

Rural Development Administration  
(509) 454-5743 Yakima  
(360) 704-7740 Olympia

#### **U.S. Department of the Interior**

Bureau of Indian Affairs  
Business and Economic Development Division  
715 Emerson Avenue  
Hoquiam, WA 98550  
(360) 533-9138  
Indian Revolving Loan Fund  
Loan Guaranty Fund  
Indian Business Development Grant Program  
Business Technical Assistance



## RESOURCE DIRECTORY

### **State Offices**

#### **Department of Community, Trade and Economic Development**

128 10<sup>th</sup> Avenue SW  
PO Box 42525  
Olympia, WA 98504-2525  
Phone: (360) 725-4100  
[www.cted.wa.gov](http://www.cted.wa.gov)

#### **Department of Ecology**

One Stop Service Center  
300 Desmond Dr. SE  
Lacey, WA 98504-7600  
Toll-Free: 1-800-917-0043  
Olympia: (360) 407-7037  
[www.ecy.wa.gov/programs/sea/pac/servcenter.html](http://www.ecy.wa.gov/programs/sea/pac/servcenter.html)  
E-mail: [ecypac@ecy.wa.gov](mailto:ecypac@ecy.wa.gov)

#### **Employment Security Department**

UI Tax Administration  
PO Box 9046  
Olympia, WA 98504-9046  
Phone: (360) 902-9360  
[www.wa.gov/esd](http://www.wa.gov/esd)

#### **Labor and Industries, Department of**

WISHA Services  
PO Box 44600  
Olympia, WA 98504-4600  
Toll-free: 1-800-423-7233

Employment Standards  
PO Box 44510  
Olympia, WA 98504-4510  
Phone: (360) 902-5316

Industrial Insurance  
PO Box 44140  
Olympia, WA 98504-4140  
Phone: (360) 902-4817  
[www.lni.wa.gov](http://www.lni.wa.gov)

**Licensing, Department of**  
Master License Service  
405 Black Lake Blvd., Bldg #2  
Olympia, WA 98502

Mailing Address:  
Department of Licensing  
Master License Service  
PO Box 9034  
Olympia, WA 98507-9034

Phone: (360) 664-1400  
Fax: (360) 570-7875  
E-mail: [MLS@dol.wa.gov](mailto:MLS@dol.wa.gov)  
[www.dol.wa.gov/businesses.htm](http://www.dol.wa.gov/businesses.htm)

#### **Office of Minority and Women's Business Enterprises**

406 S. Water  
PO Box 41160  
Olympia, WA 98504-1160  
Phone: (360) 753-9693  
[www.omwbe.wa.gov](http://www.omwbe.wa.gov)

#### **Office of the Secretary of State**

Corporations Division  
801 Capitol Way S.  
PO Box 40234  
Olympia, WA 98504-0234  
Phone: (360) 753-7115  
[www.secstate.wa.gov](http://www.secstate.wa.gov)

#### **Revenue, Department of**

PO Box 47476  
Olympia, WA 98504-7476  
Toll-Free: 1-800-647-7706  
[www.dor.wa.gov](http://www.dor.wa.gov)

## **Federal Offices**

### **Internal Revenue Service**

Toll-free: 1-800-829-1040 General Information  
1-800-829-3676 Forms

Internet: [www.irs.gov](http://www.irs.gov)

Most forms and publications can be downloaded from this site.

The following cities have local IRS walk-in service locations. Check the government listings in the appropriate telephone book for location.

|            |            |
|------------|------------|
| Bellevue   | Silverdale |
| Bellingham | Spokane    |
| Everett    | Tacoma     |
| Kennewick  | Vancouver  |
| Olympia    | Yakima     |
| Seattle    |            |

### **U.S. Department of Labor**

Wage and Hour Division  
1111 3rd Avenue, Suite 755  
Seattle, WA 98101-3212  
Toll-free: 1-866-487-9243

### **U.S. Small Business Administration**

Seattle District Office  
1200 Sixth Avenue, Suite 1700  
Seattle WA 98101-1128  
[www.sba.gov](http://www.sba.gov)

Phone: (206) 553-7310 General Information  
(206) 553-7311 Business Information Center

The SBA is a federal agency that provides assistance to help small businesses start, run and grow. Services offered: provide loan guarantees, help with securing government contracts, offer free one-on-one business counseling and act as special advocate for small businesses.

### **Service Corps of Retired Executives (SCORE)**

“Counselors to America’s Small Business”

[www.score.org](http://www.score.org)

Phone: (206) 553-7320 Seattle  
(253) 680-7770 Tacoma  
(360) 676-3307 Bellingham  
(360) 699-1079 Vancouver

SCORE is a nonprofit organization, sponsored by the U.S. Small Business Administration, which is dedicated to entrepreneur education and formation, growth and success of small business nationwide. SCORE volunteers are working and retired executives and business owners who donate their time and expertise as business counselors by providing free one-on-one counseling. SCORE also offer small business workshops for a nominal fee.

# CHECKLIST FOR STARTING A NEW BUSINESS

## Step 1: Start Planning and Get Information

- ☐ Determine the type of business activity you will be conducting:
  - Manufacturing
  - Retail
  - Wholesale
  - Services
- ☐ Determine when you plan to start your business.
- ☐ Where will your business be located?
  - Is the location within city limits? If so, does the city require business licensing?  
*Note: You should contact ANY county and incorporated city in which you perform your work to determine if additional licenses are needed.*
- ☐ Do you need financing? Do you have a business plan?  
Obtain information on types of financing and writing your business plan from the agencies listed below.
  - Department of Community, Trade & Economic Development  
Financial Assistance to support new and existing businesses - [www.cted.wa.gov](http://www.cted.wa.gov) "Tools for Businesses"
  - U.S. Small Business Administration  
Business Plan at [www.sbaonline.sba.gov](http://www.sbaonline.sba.gov).
- ☐ Have you chosen a business name? You may search the following four ways to see if the name you have chosen is already being used:
  - Master License Service at 1-900-463-6000
  - Secretary of State at [www.secstate.wa.gov/corps/search.aspx](http://www.secstate.wa.gov/corps/search.aspx)
  - Department of Revenue at <https://fortress.wa.gov/dor/brd>
  - U.S. Patent and Trademark Commission at [www.uspto.gov/main/profiles/acadres.htm](http://www.uspto.gov/main/profiles/acadres.htm)
- ☐ Obtain your customized business licensing guide sheet online. [www.dol.wa.gov/mls/wali.htm](http://www.dol.wa.gov/mls/wali.htm)  
The guide sheet will tell you who to contact for business requirements and forms regarding:
  - Local Government
  - State Government
  - Federal Government*Use the guide sheet and the Master License fee sheet to determine if all state licenses needed are available through the Master License Service.*

## Step 2: Determine and Create the Business Structure (Ownership Type)

*Note: You should contact an attorney, accountant, financial advisor, banker, or other business or legal advisor to determine which structure is most suitable for your business organization.*

- ☐ What ownership type will you have?
  - Refer to page 1 of the Operating a Business in Washington State: A Business Resource Guide booklet for a description of each type of business structure.

*Checklist continued on next page...*

## CHECKLIST CONTINUED

- ☐ File formation papers with the Office of the Secretary of State if your business structure is going to be:
  - Corporation
  - Limited Partnership
  - Limited Liability Company
  - Limited Liability Partnership

If your business does not require specialty licenses (i.e., vehicle dealer, liquor, etc.) you may also file the Master Application with Secretary of State at the same time you form the ownership.

*Note: Businesses with specialty licenses should send the Master Application with supporting documents to Master License Service after they have filed with Secretary of State. Make sure your Unified Business Identifier (UBI) number is noted on all documents.*

- ☐ Ownership types that do not need to file with Secretary of State may just file the Master Application (see Step 3).

### Step 3: Filing for Licenses

- ☐ Filing the Master Application and Addenda:
  - a. File the Master Application online at [www.dol.wa.gov](http://www.dol.wa.gov) using a credit card (not recommended for some businesses). The UBI number is frequently issued right away.
  - b. File by mail. (Use this option for businesses with specialty licenses).
  - c. File at a field office.
- ☐ Filing for licenses not available with MLS

If you need licenses not available through MLS (i.e., contractors, day care, etc.), file the Master Application, then contact the regulatory agencies listed in your guide sheet directly to obtain more information about those licenses.
- ☐ File with each city or county where you conduct business in that is not part of the Master License Service program.

### Step 4: Follow up Questions

Visit the Business License FAQs online at [www.dol.wa.gov](http://www.dol.wa.gov) to review follow up questions.